



# House of Representatives

## File No. 779

General Assembly

January Session, 2005

**(Reprint of File No. 144)**

Substitute House Bill No. 6830  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
May 19, 2005

### **AN ACT PROTECTING CONSUMERS IN THE MAKING OF INCOME TAX REFUND ANTICIPATION LOANS.**

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 42-480 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) As used in this section:

4 (1) "Borrower" means a person who receives the proceeds of a  
5 refund anticipation loan;

6 (2) "Facilitator" means a person who, individually, or in conjunction  
7 or cooperation with another person, makes a refund anticipation loan,  
8 processes, receives or accepts for delivery an application for a refund  
9 anticipation loan, issues a check in payment of refund anticipation loan  
10 proceeds, or in any other manner acts to allow the making of a refund  
11 anticipation loan. The term does not include a bank, savings and loan  
12 association, credit union or person issued a license under the  
13 provisions of sections 36a-555 to 36a-573, inclusive, operating under

14 the laws of the United States or this state, or any person who acts  
15 solely as an intermediary and does not deal with the public in the  
16 making of a refund anticipation loan;

17 (3) "Refund anticipation loan" means a loan arranged to be paid  
18 directly from the proceeds of a borrower's income tax refund; and

19 (4) "Refund anticipation loan fee" means any charges, fees or other  
20 consideration charged or imposed for the making of a refund  
21 anticipation loan. The term does not include any charges, fees or other  
22 consideration charged or imposed in the ordinary course of business  
23 by a facilitator for services that do not result in the making of a loan  
24 including, but not limited to, fees for tax return preparation services or  
25 for the electronic filing of income tax returns.

26 (b) At the time a borrower applies for a refund anticipation loan, a  
27 facilitator shall disclose to such borrower on a document that is  
28 separate from the loan application:

29 (1) The estimated fee for preparing and electronically filing an  
30 income tax return;

31 (2) The refund anticipation loan fee schedule;

32 (3) The annual percentage rate utilizing the guidelines established  
33 by the official staff interpretations of federal Regulation Z to the Truth  
34 in Lending Act, 12 CFR, Part 226;

35 (4) The estimated total cost to the borrower for utilizing a refund  
36 anticipation loan;

37 (5) The estimated number of days within which the loan proceeds  
38 shall be paid to the borrower if the loan is approved;

39 (6) The borrower is responsible for repayment of the loan and  
40 related fees in the event the income tax refund is not paid or not paid  
41 in full; and

42 (7) The availability of electronic filing of the income tax return of the  
43 borrower and the average time announced by the Internal Revenue  
44 Service within which the borrower can expect to receive a refund if the  
45 borrower's return is electronically filed and the borrower does not  
46 obtain a refund anticipation loan.

47 (c) No refund anticipation loan shall be made at any location other  
48 than a location in which the principal business is tax preparation.

49 (d) The interest rate for a refund anticipation loan shall not exceed  
50 (1) sixty per cent per annum for the initial twenty-one days of such  
51 loan, and (2) twenty per cent per annum for the period commencing on  
52 the twenty-second day of such loan and ending on the date of  
53 payment.

54 ~~[(c)]~~ (e) Any facilitator who violates any provision of [subsection (b)  
55 of] this section shall be fined five hundred dollars for each such  
56 violation. Any facilitator who violates any provision of [said  
57 subsection] this section shall be liable to any aggrieved borrower in an  
58 amount equal to three times the amount of the refund anticipation loan  
59 fee, plus reasonable attorney's fees, in a civil action brought by the  
60 aggrieved borrower or by the Attorney General on behalf of the  
61 aggrieved borrower.

|   |                 |        |
|---|-----------------|--------|
| This act shall take effect as follows and shall amend the following sections: |                 |        |
| Section 1   | October 1, 2005 | 42-480 |

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

| Agency Affected            | Fund-Effect       | FY 06 \$          | FY 07 \$          |
|----------------------------|-------------------|-------------------|-------------------|
| Consumer Protection, Dept. | GF - Revenue Gain | Potential Minimal | Potential Minimal |
| Attorney General           | GF - None         | None              | None              |

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The bill as amended makes certain restrictions on refund anticipation loans and establishes a civil fine of \$500 for violations of its provisions. Therefore, the establishment of a penalty in the bill, could result in a minimal revenue gain.

The bill expands the statutory provisions under which the Office of the Attorney General may bring a civil action on behalf of consumers. Any workload increase associated with the bill could be accommodated without requiring additional resources.

House "A" makes minor changes and has no fiscal impact.

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**OLR Bill Analysis**

sHB 6830 (as amended by House "A") \*

**AN ACT PROTECTING CONSUMERS IN THE MAKING OF INCOME  
TAX REFUND ANTICIPATION LOANS****SUMMARY:**

This bill requires refund anticipation loans to be made only at locations where tax preparation is the principal business. It also limits the interest rate on such loans to no more than 60% annually for the first 21 days of the loan and reduces the rate to 20% beginning on the 22<sup>nd</sup> day of the loan until the date it is repaid. A refund anticipation loan is a loan that is to be repaid directly from the proceeds of a borrower's income tax refund.

Under the bill, anyone who violates these provisions is subject to a \$500 fine and, in a civil action brought by the borrower or the attorney general on the borrower's behalf, is liable to the borrower for three times the amount of the loan plus reasonable attorney's fees.

\*House Amendment "A" changes the maximum interest rate on refund anticipation loans from 36%.

EFFECTIVE DATE: October 1, 2005

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 18 Nay 0